

Attachemnt A

**Adopted by Bismarck City
April 2, 1990**

**Adopted by the NDSIB
August 31, 1990**

**STATEMENT OF INVESTMENT GOALS, OBJECTIVES
AND POLICIES
FOR THE
BISMARCK CITY POLICE PENSION PLAN**

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I. INTRODUCTION

The Bismarck, North Dakota City Police Pension Plan (BCPPP) administers the pension benefit plan established for the city of Bismarck Police. The plan is administered by the Bismarck City Police Pension Plan Board of Trustees'. The plan is a defined benefit pension plan maintained to provide retirement benefits, disability benefits, and/or death benefits as may be the case, to the participants in accordance with Chapter 9-08 of the city of Bismarck Code of Ordinance (1986 revised). The plan is administered in accordance with IRS and Treasury Regulations.

The plan and benefits provided are funded by contributions from the members and members employer. The plan was established to provide benefits to members eligible to receive them in accordance with the provisions of the plan.

II. INVESTMENT GOAL

The goal of the BCPMP is to provide income through various investments and members and members employer contributions, sufficient to pay benefits accrued and to provide for future benefit enhancements.

III. PURPOSE OF THIS STATEMENT

The purpose of this statement is to set forth the investment goals and objectives for the BCPMP. The goals and objectives are to be used by the Bismarck City Police Pension Plan Board of Trustees', North Dakota State Investment Board (NDSIB) and money managers for the investment of the BCPMP's assets.

IV. PRUDENT INVESTOR RULE AND EXCLUSIVE BENEFIT PROVISION

The BCPMP's assets must be invested in compliance with the "Prudent Investor Rule." The "prudent investor rule" means that in making investments the fiduciaries shall exercise the judgement and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of

funds, considering probable safety of capital as well as probable income. The retirement funds belonging to the BCPPP must be invested exclusively for the benefit of their members and beneficiaries in accordance with the Fund's investment goals and objectives.

V. RESPONSIBILITY OF THE BISMARCK CITY POLICE PENSION PLAN BOARD OF TRUSTEES'

- A. The Bismarck City Police Pension Plan Board Of Trustees' has the responsibility for establishing the investment goals and objectives which are the guide to the investment of BCPPP's assets. The Bismarck City Police Pension Plan Board of Trustees' determines the investment policies by considering the implications of a wide range of financial assumptions and investment risk.
- B. The Bismarck City Police Pension Plan Board of Trustees' shall review these investment goals, objectives and policies at least annually.
- C. The Bismarck City Police Pension Plan Board of Trustees' has the responsibility to approve exemptions to these Investment Goals and Objectives.
- D. The Bismarck City Police Pension Plan Board of Trustees' has the responsibility for the development of an Asset Allocation Plan.
- E. The Bismarck City Police Pension Plan Board of Trustees' shall receive and review reports from the NDSIB's Director of Investments quarterly.

VI. RESPONSIBILITIES OF THE NORTH DAKOTA STATE INVESTMENT BOARD

- A. Final authority for hiring, retaining and releasing the money managers, as recommended by the Director of Investments, shall rest with the NDSIB.
- B. The NDSIB is responsible to the Bismarck City Police Pension Plan Board of Trustees' for carrying out the Bismarck City Police Pension Plan Board of Trustees' Investment Goals, Objectives and Policies.
- C. The NDSIB is responsible to the Bismarck City Police Pension Plan Board of Trustees' for carrying out the Bismarck City Police Pension Plan Board of Trustees' Asset Allocation Plan.

- D. The NDSIB must maintain a separate accounting for the BCPPP fund under their authority.
- E. The NDSIB will provide the Bismarck City Police Pension Plan Board of Trustees with quarterly investment reports.

VII. STATEMENT OF TOTAL FUND INVESTMENT PHILOSOPHY/OBJECTIVES

The following investment objectives are established as of the date adopted and are in keeping with the fiduciary requirements as set forth in federal and state law and as expected by the members. It is in the best interest of BCPPP and beneficiaries that objectives be established for the total fund and performance standards set for each money manager. It is clearly understood these objectives and standards are to be viewed over the long term and have been established after full consideration of all factors set out in the Statement of Investment Goals, Objectives and Policies. These performance objectives are as follows:

A. Total Fund Objectives

- 1. The long term objective of the Fund is to achieve a minimum rate of return of 4.5% in excess of the annual rate of inflation. However, the return shall be no less than the 7.25% return the actuary has determined is required to pay future benefits.
- 2. Achieve a long term performance, consistent within acceptable risk parameters, which rank above the thirty-fifth (35th) percentile of a data base composed of other managed funds as measured by the NDSIB's investment measurement consultant.

- B. The portfolio mix shall be in accordance with the asset allocation adopted and periodically revised by the NDSIB as approved by the Bismarck City Police Pension Plan Board of Trustees'. See Appendix A.

VIII. FIXED INCOME INVESTMENT PHILOSOPHY/OBJECTIVES

A. Domestic Fixed Income Investments Guidelines

The responsibility for domestic fixed income securities or investment selection will lie with the domestic fixed

than 10% of the market value of the portfolio, or its equivalent representation in the Shearson Lehman American Express Government/Corporate Bond Index or the Shearson Lehman American Express Aggregate Bond Index.

- b. No single industry group shall constitute more than 25% of the market value of the portfolio, or its comparable representation in the previously identified index, whichever is larger.
- c. Futures and options may be used to hedge a portfolio but not to speculate. Permitted contracts are: Treasury Futures; Money Market Futures; Treasury Options; or Money Market Options.

2. Quality

- a. Commercial paper investment must be rated P-1 and/or A-1 by Moody's and Standard and Poor's respectively.
- b. The minimum credit rating for a straight bond will be Baa rating by Moody's and BBB by Standard & Poor's. On a dollar weighted basis, the quality rating of the bond portfolio must be an "A" or better.
- c. The minimum credit rating for a convertible bond will be Baa by Moody's and BB by Standard & Poor's.
- d. Financial institutions issuing Certificates of Deposit (CD's) and appearing on the Comptroller of the Currency's watch list are unacceptable.
- e. Any security downgraded below its approved quality level must be disposed of in an orderly market manner and in the best interest of the Fund.

3. Restrictions

- a. Conflicts of interest and transactions between a fiduciary and parties in interest, as applicable to private pension plans under Sections 406 and 408 of Title I, ERISA, are prohibited.

- b. No transaction shall be made which threatens the tax exempt status of the retirement fund.
- c. No funds shall be borrowed.
- d. No short sales or margin purchases shall be made.
- e. No tax exempt bonds shall be purchased or retained unless, on a comparable quality basis, it provides a return superior to that of a taxable bond.
- f. No private placements shall be purchased.
- g. Social and/or Economic Targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule and is not prohibited by BCPPP Board Resolutions. That rule is met if the following four conditions are satisfied:
 - 1. The cost does not exceed the fair market value at the time of the purchase.
 - 2. The investment provides a fair return commensurate with the prevailing rate.
 - 3. Sufficient liquidity is maintained to permit distributions in accordance with the terms of the plan.
 - 4. The safeguards and diversity that a prudent investor would adhere to are present.

4. Exemptions To Restrictions

The NDSIB may request prior approval for exemptions to the restrictions outlined in Sections 1, 2 and 3, in writing, to the Bismarck City Police Pension Plan Board of Trustees' for its consideration.

B. Domestic Fixed Income Performance Objectives

The objectives for the domestic fixed income investments are to achieve an average total investment return which will:

- 1. Exceed the annual rate of inflation by 2.5 percentage points.
- 2. Exceed the theoretical return which is provided by

4. Exemptions To Restrictions

The NDSIB may request prior approval for exemptions to the restrictions outlined in Sections 1, 2 and 3, in writing, to the Bismarck City Police Pension Plan Board of Trustees' for its consideration.

B. Domestic Fixed Income Performance Objectives

The objectives for the domestic fixed income investments are to achieve an average total investment return which will:

1. Exceed the annual rate of inflation by 2.5 percentage points.
2. Exceed the theoretical return which is provided by the Shearson Lehman American Express Government/Corporate Bond Index or the Shearson Lehman American Express Aggregate Bond Index.
3. Each money manager is expected to perform in the top thirty-fifth (35th) percentile, of a group of money managers of similar style, as measured by the NDSIB's investment measurement consultant.
4. Money managers retained to manage an index fund portfolio must perform equal to the comparable index after which the portfolio is structured.
5. Generally, the measurement time period for money managers shall be a market cycle as measured by the NDSIB's investment measurement consultant. However, if a money manager's organization changes and/or performance falls significantly behind a market average, or the performance of a group of money managers of similar style, then the relationship with the money manager will be closely scrutinized.

C. International Fixed Income Investment Guidelines

The responsibility for international fixed income securities or investment selection will lie with the international fixed income managers. Those managers, however, will operate within investment guidelines which will conform to the ERISA and other applicable governmental regulations and which cover three areas: (1) diversification/quality; (2) restrictions; and (3) exemptions to restrictions.

1. Diversification/Quality

- a. International fixed income investments are limited to those countries and securities utilized in the Salomon Brothers Non-U.S. Bond Index or the Salomon Brothers World Bond Index.
- b. Currency Forward contracts may be used to hedge a portfolio, but not to speculate.

2. Restrictions

- a. Conflicts of interest in transactions between a fiduciary and parties in interest, as applicable to private pension plans under Sections 406 and 408 of Title I ERISA, are prohibited.
- b. No transactions which may threaten the tax exempt status of the retirement fund.
- c. No funds shall be borrowed.
- d. No short sales or margin purchases shall be made.
- e. No tax exempt bonds shall be purchased or retained unless, on a comparable quality basis, it provides a return superior to that of a taxable bond.
- f. No private placements shall be purchased.
- g. Social and/or Economic Targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule and is not prohibited by BCPPP Board Resolutions. That rule is met if the following four conditions are satisfied:
 - 1. The cost does not exceed the fair market value at the time of the purchase.
 - 2. The investment provides a fair return commensurate with the prevailing rate.
 - 3. Sufficient liquidity is maintained to permit distributions in accordance with the terms of the plan.

4. The safeguards and diversity that a prudent investor would adhere to are present.

3. Exemptions To Restrictions

The NDSIB may request prior approval for exemptions to the restrictions outlined in Sections 1 and 2, in writing, to the Bismarck City Police Pension Plan Board of Trustees' for its consideration.

- D. International Fixed Income Performance Objectives

The objectives for the international fixed income investments are to achieve an average total investment return which will:

1. Exceed the annual rate of inflation by 3.5 percentage points.
2. Exceed that theoretical return which is provided by the Salomon Brothers Non-U.S. Bond Index or the Salomon Brothers World Bond Index.
3. Each money manager is expected to perform in the top thirty-fifth (35th) percentile, of a group of money managers of similar style, as measured by the NDSIB's investment measurement consultant.
4. Money managers retained to manage an index fund portfolio must perform equal to the comparable index after which the portfolio is structured.
5. Generally, the measurement time period for the money managers shall be a market cycle as measured by the NDSIB's investment measurement consultant. However, if a money manager's organization changes and/or performance falls significantly behind a market average, or the performance of a group of money managers with similar style, the relationship with the money manager will be closely scrutinized.

IX. EQUITY INVESTMENT PHILOSOPHY/OBJECTIVES

- A. Domestic Equity Investment Guidelines

The responsibility for domestic equity investment selection shall lie with the domestic equity money managers. Those managers, however, will operate within investment guidelines which will conform to the ERISA

and other applicable governmental regulations and which will cover four areas: (1) diversification, (2) quality, (3) restricted transactions and (4) exemptions.

1. Diversification

- a. Equity investments in any one company shall be limited to no more than ten percent (10%) of the total fund assets under the money manager's supervision and no more than ten percent (10%) of the company's outstanding equity.
- b. No stock shall be bought unless it is traded on one of the major stock exchanges or the over-the-counter markets. Over-the-counter securities shall represent no more than ten percent (10%) of the fund assets managed by the money manager.
- c. S&P 500 futures and options may be utilized to hedge a portfolio, but not to speculate.

2. Quality

- a. Convertible and non-convertible preferred stock shall be rated at least "A" by Moody's and Standard and Poor's.

3. Restrictions

- a. Conflicts of interest and transactions between a fiduciary and parties in interest, as applicable to private pension plans under Sections 406 and 408 of Title I, ERISA, are prohibited.
- b. No transaction shall be made which threatens the tax exempt status of the retirement fund.
- c. No letter stock shall be purchased.
- d. No funds shall be borrowed.
- e. No short sales or margin purchases shall be made.
- f. If in any calendar quarter the turnover of equity investments exceeds thirty percent (30%) of the equity market value, the money manager will promptly submit to the NDSIB a

detailed explanation of the trading activity.
(For this purpose turnover shall be calculated as the ratio of the proceeds of equity sales to the market value of equities at the start of the quarter.)

g. Social and/or Economic Targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule and is prohibited by BCPBP Board Resolutions. That rule is met if the following four conditions are satisfied:

1. The cost does not exceed the fair market value at the time of the purchase.
2. The investment provides a fair return commensurate with the prevailing rate.
3. Sufficient liquidity is maintained to permit distributions in accordance with the terms of the plan.
4. The safeguards and diversity that a prudent investor would adhere to are present.

4. Exemptions to Restrictions

The NDSIB may request prior approval for exemptions to the restrictions outlined in Sections 1, 2, and 3, in writing, to the Bismarck City Police Pension Plan Board of Trustees' for its consideration.

B. Domestic Equity Performance Objectives

The objectives for the domestic equity investment portfolio are to achieve an average total investment return (cash income in combination with market value change) which will:

1. Exceed the annual rate of inflation by six (6) percentage points;
2. Exceed the return provided by the Standard & Poor's Composite Index;
3. Each money manager is expected to perform in the top thirty-fifth (35th) percentile, of a group of money managers of similar style, as measured by the NDSIB's investment measurement consultant.

4. Money managers retained to manage an index fund portfolio must perform equal to the comparable index after which the portfolio is structured.
5. Generally, the measurement time period for the money managers shall be a market cycle as measured by the NDSIB's investment measurement consultant. However, if a money manager's organization changes and/or performance falls significantly behind a market average, or the performance of a group of money managers with similar style, the relationship with the money manager will be closely scrutinized.

C. International Equity Investment Guidelines

The responsibility for international equity securities or investment selection shall lie with the international equity money managers. Those managers, however, will operate within investment guidelines which will conform to the ERISA and other applicable governmental regulations and will cover three areas: (1) diversification/quality, (2) restricted transactions and (3) exemptions.

1. Diversification/Quality

- a. The international equity fund is limited to those countries and securities in the Morgan Stanley CIEAFE Index Fund.
- b. Currency Forward contracts may be used to hedge a portfolio, but not to speculate.

2. Restrictions

- a. Conflicts of interest in transactions between a fiduciary and parties in interest, as applicable to private pension plans under Sections 406 and 408 of Title I, ERISA, are prohibited.
- b. No transactions shall be made which threaten the tax exempt status of the retirement fund.
- c. No letter stock shall be borrowed.
- d. No funds shall be borrowed.
- e. No short sales or margin purchases shall be made.

- f. If in any calendar quarter the turnover in equity investments exceeds thirty percent (30%) of the equity market value, the money manager will promptly submit to the NDSIB a detailed explanation of the trading activity. (For this purpose, turnover shall be calculated as the ratio of the proceeds equity sale to the market value of equities at the start of the quarter.)
- g. Social and/or Economic Targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule and is not prohibited by BCPPP Board Resolutions. That rule is met if the following four conditions are satisfied:
 - 1. The cost does not exceed the fair market value at the time of the purchase.
 - 2. The investment provides a fair return commensurate with the prevailing rate.
 - 3. Sufficient liquidity is maintained to permit distributions in accordance with the terms of the plan.
 - 4. The safeguards and diversity that a prudent investor would adhere to are present.

3. Exceptions To Restrictions

The NDSIB may request prior approval for exemptions to the restrictions outlined in Sections 1 and 2, in writing, to the Bismarck City Police Pension Plan Board of Trustees' for its consideration.

D. International Equity Performance Objectives

The objectives for the international equity investment portfolio are to achieve an average total investment return which will:

- 1. Exceed the annual rate of inflation by seven (7) percentage points;
- 2. Exceed the return provided by the Morgan Stanley CIEAFE Index.

3. Each money manager is expected to perform in the top thirty-fifth (35th) percentile, of a group of money managers of similar style, as measured by the NDSIB's investment measurement consultant.
4. Money managers retained to manage an index fund portfolio must perform equal to the comparable index after which the portfolio is structured.
5. Generally, the measurement time period for money managers shall be a market cycle as measured by the NDSIB investment measurement consultant. However, if a money manager's organization changes and/or performance falls significantly behind the market averages, or the performance of a group of money managers with similar style, then the relationship with that money manager will be closely scrutinized.

X. REAL ESTATE INVESTMENT PHILOSOPHY/OBJECTIVES

A. Real Estate Investment Guidelines

The responsibility for real estate investment selection shall lie with the real estate managers. Those managers, however, will operate within investment guidelines which will conform to the ERISA and other applicable governmental regulations and which will cover three areas: (1) diversification, (2) restricted transactions and (3) exemptions.

1. Diversification

The investment in Real Estate shall be in an open-ended or closed-ended Real Estate Equity Fund.

2. Restrictions

- a. No private placements.
- b. No transaction shall be made which threatens the tax exempt status of the retirement fund.
- c. Social and/or Economic Targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule and is not prohibited by BCPPP Board Resolutions. That rule is met if the following four conditions are satisfied:

1. The cost does not exceed the fair market value at the time of the purchase.
2. The investment provides a fair return commensurate with the prevailing rate.
3. Sufficient liquidity is maintained to permit distributions in accordance with the terms of the plan.
4. The safeguards and diversity that a prudent investor would adhere to are present.

3. Exemptions To Restrictions

The NDSIB may request prior approval for exemptions to Sections 1 and 2, in writing, to the Bismarck City Police Pension Plan Board of Trustees' for its consideration.

B. Real Estate Performance Objectives

The objectives for the real estate investments are to achieve an average total investment return which will:

1. Exceed the annual rate of inflation by 3.5 percentage points.
2. Exceed the median return of a Real Estate Data base as measured by the NDSIB's investment measurement consultant.

XI. VENTURE CAPITAL INVESTMENT PHILOSOPHY/OBJECTIVES

A. Venture Capital Investment Guidelines

The responsibility for venture capital investment selections shall lie with the venture capital managers.

Those managers, however, will operate within investment guidelines which will conform to the ERISA and other applicable governmental regulations and which cover three areas: (1) diversification/quality, (2) restrictions and (3) exemptions to restrictions.

1. Diversification/Quality

The investment in venture capital shall only be in limited partnerships.

2. Restrictions

- a. No private placements.
- b. No transaction shall be made which threatens the tax exempt status of the retirement fund.
- c. Social and/or Economic Targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule and is not prohibited by BCPPP Board Resolutions. That rule is met if the following four conditions are satisfied:
 1. The cost does not exceed the fair market value at the time of the purchase.
 2. The investment provides a fair return commensurate with the prevailing rate.
 3. Sufficient liquidity is maintained to permit distributions in accordance with the terms of the plan.
 4. The safeguards and diversity that a prudent investor would adhere to are present.

3. Exemptions To Restrictions

The NDSIB may request prior approval for exemptions to the restrictions outlined in Sections 1 and 2, in writing, to the Bismarck City Police Pension Plan Board of Trustees' for its consideration.

B. Venture Capital Performance Objectives

The objectives for the venture capital investments are to achieve an average total investment return which will:

1. Exceed the annual rate of inflation by ten (10) percentage points;
2. Exceed the return provided by the Brinson Partners Venture Asset Index.

APPENDIX A

Cash Equivalents	1%
Domestic Equities	44-46%
International Equities	3%
Domestic Fixed Income	44-46%
International Fixed Income	2%
Real Estate	3%
Venture Capital	1%

APPENDIX A

Revision of Appendix A to Attachment A, "Statement of Investment Goals, Objectives and Policies for the Bismarck City Police Pension Plan", of the Investment Management Agreement

Approved by the Trustees of the Bismarck City Police Pension Plan on February 5, 1998
and accepted by the North Dakota State Investment Board on February 27, 1998.

ASSET CLASS	ASSET ALLOCATION (%)
Large Cap Domestic Equity	34.3
Small Cap Domestic Equity	10.7
International Equity	5.5
Emerging Markets Equity	2.0
Domestic Fixed Income	30.0
High Yield Fixed Income	5.0
International Fixed Income	4.5
Real Estate	5.0
Venture Capital	3.0
Cash Equivalents	0.0